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Risking Together: How Finance is Dominating Everyday Life in Australia

Dick Bryan and Mike Rafferty. Sydney: Sydney University Press, 2018. xv + 229 pages + index. Paper $30.00. ISBN: 9781743325728

Financialization is often defined in terms of financial versus real sectors: it can be regarded as "an appropriation from the rest of the economy" to the financial sector (Tabb 2012: 41-42), or as an imposition of Wall Street rules on the rest of the economy (Mandel 1996: 8). It has also been described as an insinuation of "an orientation toward accounting and risk management into all domains of life" (Martin 2002: 43), allowing "the ethics, morality and mindset of finance to penetrate social and individual life" (Lapavitsas 2012: 17). These rather more broadly conceived sociological portrayals of financialization are very much in keeping with the work under review here, which analyses the transformation of households into simultaneously more vulnerable yet increasingly vital supports for growing numbers of financial securities.

Dick Bryan and Mike Rafferty have together theorized the rapid rise of derivatives (Bryan and Rafferty 2006) and more recently explored the ways in which households have become simultaneously more exposed to financial risk and the means by which financial markets "unlock" or extract value via that exposure (Bryan and Rafferty 2014; Bryan, Rafferty and Tinel 2016). *Risking Together* is a culmination of this exploration. The authors explain: "our objective is to depict a society dominated by an ideology of financial calculation that would be there even if financial institutions operated with complete honesty and prudence" (xiv). Rather than a "moral critique of bankers," Bryan and Rafferty present this manifestation of financialization as "an innately capitalist process" (Bryan, Martin and Rafferty 2009: 459), rather than a distortion or deviation.

The authors pay tribute to their erstwhile collaborator and pioneer theoretician of financialization, Randy Martin, whose original sociological study of the phenomenon (Martin 2002) led subsequently to work on the political and social manifestations of risk culture and derivative logic (Martin 2007; 2015). Consistent with Martin's analytical dissection of financialized culture, Bryan and Rafferty present a detailed exposition of the ways in which households based primarily in the Anglosphere have been transformed from relative oases of economic stability in the post-1945 period to vehicles of risk and thereby the means of profit for certain types of investor. This constitutes an almost perfect and bitterly ironic inversion, or perhaps better subversion, of John Maynard Keynes' efforts to tame the animal spirits he knew were also "innately capitalist."

Thus the authors set out their stall very early, claiming that there is no going back to the Keynesian welfare national state (see Jessop 2002) of that earlier era, and that "only by getting inside the mindset of finance can we work out how we might challenge its rule" (6).

The theoretical basis for the authors' portrait of household finance as increasingly resembling a "personal hedge fund" (12) is not explicit here, although they acknowledge the potentially far-reaching implications for Marxist political economy in the work supporting this book (xiii). Nevertheless, a model of financial flows and risk flows, with households at its center, is methodically constructed such that, by the end of the book, the various aspects of risk to which households are more fully exposed, and the means by which these might be mitigated, are explained in detail. In this respect their exposition is consistent with Lapavitsas' (2012: 29) observation of "increasing involvement of workers in the mechanisms of finance in order to meet elementary needs, such as housing, education, health, and provision for old age," shorn of earlier welfare state protections and therefore subject to “financial expropriation” (Lapavitsas 2012: 31). However, in keeping with their conviction that derivative logic is blurring and even dissolving traditional theoretical categories and concepts—“it is the mindset of derivatives that is the driver of financial calculation” (49)—Bryan and Rafferty go on to highlight what they regard as “the deep impact of financialization: that traditional notions of ‘work’ and ‘employment’ are changing, and the risks of change are being borne by individual workers” (17). Precarity and “platform capitalism” (the preposterously mistitled “sharing economy”) are all of a piece with this transformation of households into mini-hedge funds or victims of financial expropriation.

The transfer of risk borne by households primarily takes the form of what the authors call “save-to-invest” and “borrow-to-acquire-wealth” (76). From the perspective of financial markets, this enables the creation of financial flows involving regularized payments, such as for banking services, mortgage lending, pension saving, and other forms of credit servicing. Even utility contracts have become considerably more complex as the service providers are themselves becoming financialized and redistributing their risks. This is achieved by amalgamating households’ payment flows with those of other households into asset-backed securities (according to the template of originate and distribute), “backed by household repayments” (101). Households are “linked to the *production* of a financial asset or service” in a manner analogous to factory workers and their resulting output (77).

This transformation also brings with it political ramifications. Bryan and Rafferty assert that households now have “a financial market involvement and power they do not realise they have” (77). They close with suggestions of how this power might be exercised in resistance to expropriation. Traditional trade union focus on the workplace needs to be at least supplemented by a more holistic concept of the ways in which workers are being exploited (183). To this end the authors propose “household unions” that would organize partial collective defaults or “liquidity refusal”, thereby upsetting the assumption that households are too reluctant to interrupt payment on essential items. The impact of such a liquidity strike would, according to the authors, be “potentially much bigger, quicker and less costly than a production strike” (200). Detail regarding how this might be organized in practice is deliberately omitted, however.

Given the centrality of personal credit ratings in contemporary capitalism, the potential costs to individual households of such a tactic are significant. It is one thing to refuse payment, but to be denied credit is a powerful, socially constructed punishment fully consistent with the thinking behind Franklin Roosevelt’s New Deal and its “democratization of finance” such that the disciplining effects of credit would temper any radical politics (Konings 2011). This logic was tested to near-destruction in the sub-prime crisis that unfolded during 2007-9, when many U.S. households simply defaulted, leading to somewhat fevered discussion of “strategic default” in various literatures (see Seiler 2014). The backlash against bailouts of otherwise defaulting mortgage-owners led to the Tea Party movement in another ironic inversion, when CNBC commentator Rick Santelli railed on-air against President Barack Obama’s Homeowner Affordability and Stability Plan in February 2009 (Boykoff and Laschever 2011), and a significant warning of the limitations to which the politics of resistance may be subject. Bryan and Rafferty argue that great effort has gone into distinguishing prime from subprime since then (198), but the evidence of this is, at best, contradictory (for example, McLannahan 2017; Nauman 2020).

In an earlier case of a successful campaign of deliberate non-payment, the Scottish National Party's "Can pay, won't pay" opposition to Margaret Thatcher's poll tax harnessed the moral indignation of those otherwise excluded from the UK-wide cross-party "Can't pay, won't pay" mobilization in 1990 (McCrone 1991). Those campaigns had a clear political target, personified by the highly unpopular prime minister herself, and led ultimately to her downfall. A campaign of mass non-payment of utility bills might work in the case of a particularly egregious wrongdoing seen to have been done by a particular company or sector, as with the reversal of various privatizations in Bolivia following mass mobilizations and the shedding of blood (Spronk and Webber 2007). But as the UK parliamentary election of December 2019 showed, the promise of renationalization, despite widespread and persistent agreement regarding the unsatisfactory performance of various water utilities and rail transport companies, is not necessarily on its own a sufficiently powerful rallying point.

This book deserves a much wider readership than just those concerned primarily with Australian experience. Empirical particulars aside, derivative logic is akin to the "exit-based finance" concept of corporate governance literature. Institutional, localized configurations specific to individual states' or regional networks are dissolved as they are superseded by a reproducible set of arrangements and practices that are the very opposite of geographically delimited, and not least because their organization and function are the bedrock of business education globally (Grahl 2001: 30). The process is complex and uneven and, as we have seen, possibly even reversible via more traditional political means. Nevertheless, and especially given the authors' arguments and wider applicability of the examples employed, it would be far better to subtitle the book simply: *How Finance is Dominating Everyday Life*.

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